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3 **AND COMMUNITY REVITALIZATION COMMISSION**

4 701 East Franklin Street, Suite 501
5 Richmond, Virginia 23219

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10 **Research and Development Committee Meeting**

11 Monday, January 10, 2011
12 4:00 p.m.

13
14 Hilton Garden Inn (Downtown)
15 501 East Broad Street
16 Richmond, Virginia 23219

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1 **APPEARANCES:**

2 The Honorable Kathy J. Byron, Chairman
3 The Honorable Daniel W. Marshall, III, Vice Chairman
4 Mr. Burgess Hamlet
5 Delegate Terry Kilgore
6 Ms. Connie L. Nyholm
7 The Honorable Edward Owens
8 The Honorable Phillip P. Puckett
9 Mr. Kenneth O. Reynolds
10 The Honorable Frank M. Ruff, Jr.
11 Ms. Cindy M. Thomas
12 Ms. Mary Rae Carter, Deputy Secretary of Rural Economic
13 Development, Office of the Secretary of Commerce &
14 Trade

15
16 COMMISSION STAFF:

17 Mr. Neal Noyes, Executive Director
18 Mr. Ned Stephenson, Deputy Director
19 Mr. Timothy S. Pfohl, Grants Program Administration Manager
20 Ms. Sara G. Williams, Grants Coordinator - Southwest Virginia
21 Ms. Sarah K. Capps, Grants Coordinator - Southside Virginia
22 Ms. Stephanie S. Kim, Director of Finance

23
24 COUNSEL FOR THE COMMISSION:

25 Mr. Francis N. Ferguson, Esquire

26 DELEGATE BYRON: I'm going to call our Research

1 & Development Committee Meeting to order and ask Neal to
2 call the roll.

3 MR. NOYES: Delegate Byron?

4 DELEGATE BYRON: Here.

5 MR. NOYES: Mr. Hamlet?

6 MR. HAMLET: Here.

7 MR. NOYES: Delegate Marshall?

8 DELEGATE MARSHALL: Here.

9 MR. NOYES: Ms. Nyholm?

10 MS. NYHOLM: Here.

11 MR. NOYES: Mr. Owens?

12 MR. OWENS: Here.

13 MR. NOYES: Senator Puckett?

14 SENATOR PUCKETT: Here.

15 MR. NOYES: Mr. Reynolds?

16 MR. REYNOLDS: Here.

17 MR. NOYES: Senator Ruff?

18 SENATOR RUFF: Here.

19 MR. NOYES: Ms. Thomas?

20 MS. THOMAS: Here.

21 MR. NOYES: Senator Wampler?

22 SENATOR WAMPLER: Here.

23 MR. NOYES: You have a quorum.

24 DELEGATE BYRON: Thank you. I want to welcome
25 everybody to Richmond, and I hope you all had a very nice
26 Christmas and New Year's. We want to extend a heartfelt

1 sympathy to Senator Puckett, who last year lost his mother.
2 Would you like to say a few words?

3 SENATOR PUCKETT: I'd like to thank everyone for
4 your prayers. This was a difficult time for us. Everyone knows
5 that you only have one mother, and that makes it very difficult
6 when you lose her, and she was a great lady. I appreciate all
7 your cards and prayers. Thank you.

8 DELEGATE BYRON: I hope everyone read the
9 Minutes over the holiday. They're on the web site, so I'll
10 entertain a motion to accept the Minutes. It's been moved and
11 seconded that we accept the Minutes of the October 27, 2010
12 meeting in South Hill. All those in favor say aye? (Ayes.)
13 Opposed? (No response.) The Minutes are approved.

14 MR. NOYES: We had four requests received by the
15 December 10th, 2010 deadline. The total of the requests was
16 \$50,277,000. I'll run through these. All of the applicants in
17 this round, all of the requests in this round are for southern
18 Virginia. I hope you all received these electronically, along with
19 hard copies of the applications, and I'll go through these.

20 The first one is number 2280, Campbell County.
21 The partner is Edison 2. The request is for \$5 million to
22 support ongoing research and development for a new class of
23 low mass, low aerodynamic drag and highly efficient passenger
24 vehicle. The Committee considered a similar request, number
25 2223, for this beneficiary at your October 2010 meeting. One
26 issue at that time was whether or not Commission financing

1 would be used to duplicate research underway elsewhere by
2 other businesses. I don't know whether this is somehow
3 unique or doing something that is already underway elsewhere.
4 I did not see new information on this question. It is clear,
5 however, in the application that there are pending patent
6 applications by Edison 2, and for that reason that's new
7 knowledge, to the extent that that is important.

8 Commission funds are requested for personnel and
9 contractual services, supplies, continuous charges, equipment
10 and property improvements. Matching funds are shown as
11 pending. Please note that improvements directly benefit the
12 beneficiary-owned Archer Creek facility. The application
13 indicates that facility renovation will contribute to the
14 establishment of an automotive innovation business cluster,
15 that version 4 of the Very Light Car including electric powered
16 versions will be developed, and that Edison 2 will initially have
17 more than 25 employees. That information has been updated.
18 Temporary employment during facility renovation and follow-
19 on employment and investment growing out of co-located
20 cluster development are discussed. IP developed as a direct
21 result of Commission sponsored research would be licensed for
22 production within the tobacco region without fees, while
23 background IP and/or future IP would be licensed on a
24 discounted basis.

25 Concerning the question about whether or not our funds
26 will be used to duplicate other work being done elsewhere,

1 Staff anticipates that the VEDP vetting process may clarify the
2 question of duplicative work and that this information would
3 be available to the committee members when the committee
4 decides, or ahead of time when you decide on a funding
5 recommendation. Should this request be approved, Staff
6 recommends that there be no disbursement until all financing
7 necessary to accomplish goals one through four has been
8 committed and that all disbursements be made on a pro-rata
9 (50/50) basis with Campbell County sharing title to
10 equipment. The project budget likely will need to be revised
11 and adjusted so that non-Commission funds are used for
12 property improvements. The Staff recommendation is referral
13 to VEDP for vetting.

14 DELEGATE BYRON: A new project would have an
15 opportunity to go visit the location. Any further questions at
16 this time?

17 MR. NOYES: Project 2281, Lawyers Road Energy,
18 LLC. Campbell County requests \$3 million to integrate
19 "commercially proven equipment modules and the development
20 of intermediary fuel processing and refining techniques." This
21 is a waste to energy initiative involving pyrolysis that may be
22 capable of producing 20,000 gallons per day of Number 2
23 diesel fuel. Commission funds are sought for equipment and
24 contractual services. Total project cost is
25 \$12 million with matching financing described as approved (i.e.
26 bank financing) or available (i.e. private investors). The Staff

1 has requested an explanation of the "line of Credit from the
2 assignment of Grant in Lieu of Tax Credit" statement in the
3 private funds description. I don't know what that means, so
4 perhaps some representative can tell us that. This project is
5 viewed as replicable within the Commission footprint, and
6 there is an estimate of over 25 jobs per location. The
7 application offers return on investment based on licensing and
8 royalty income.

9 The research objectives here are fairly limited. They
10 involve tweaking already known processes to yield higher
11 quality oil that can be used for purposes that are different than
12 what existing technology allows. What the Commission is
13 being asked here to support is a commercial scale business
14 start-up. Should the VEDP vetting process indicate that both
15 the scientific and commercialization opportunities appear
16 reasonable, Staff would recommend that the Commission be
17 an equity partner in this enterprise. Staff recommends referral
18 to VEDP for vetting.

19 There is the outstanding question, Madam Chairman,
20 and we have representatives here who can give an explanation
21 on that.

22 MR. DAVIDSON: I'm Mike Davidson, Director of
23 Economic Development for Campbell County. Would you mind
24 framing your question again?

25 MR. NOYES: The private funds description, there
26 are some bullet points I had e-mailed, and one of those bullet

1 points said that there would be a "line of Credit from the
2 assignment of Grant in Lieu of Tax Credit." This was during
3 the holidays.

4 MR. DAVIDSON: Two of the components of the
5 financing, some of it deals with the federal stimulus funding
6 that is available, some of them deal with the, and I hope I use
7 the right terminology, new energy tax credits that will be
8 available. That will be through the federal government and the
9 new energy tax credit; basically what they do is go to a bank
10 and give the bank favorable tax advantage in order to process
11 loans. That's the relationship, and that's the banking
12 advantage, and I'm doing the best of my ability to explain it,
13 but I can guarantee that we'll get a banker to put it in writing
14 so you can understand it better.

15 MR. NOYES: We have a banker on the Committee
16 here, or several of them.

17 DELEGATE BYRON: How much money are we
18 talking about?

19 MR. DAVIDSON: All total there is a request for 3
20 million out of the \$12 million project costs.

21 DELEGATE MARSHALL: How much is taxable?

22 MR. DAVIDSON: We have Mr. Brent Avellar with
23 Lawyer's Road Energy, and he can speak to the tax credit.

24 MR. AVELLAR: There are two versions of the tax
25 credit. One you're referring to is the assignment of stimulus
26 energy investment tax credit. Instead of taking a credit with

1 the grant provision the assignment of this, we have an opinion
2 on that from an accounting firm. We're working with several
3 banks in giving us approval of that. The other grant you're
4 referring to is where we are applying for financing through the
5 new market tax credit structure which has another credit
6 associated with it, and that credit is likely to be purchased by
7 a large U.S. bank. I'd be happy to provide that in writing to
8 you. We have an opinion from then that it is the type of
9 project that they want to participate in.

10 MR. NOYES: The Staff would like to see that.

11 DELEGATE BYRON: What is the number?

12 MR. AVELLAR: The stimulus grant is on the order
13 of magnitude of about one and a half million, and the new
14 market tax credit financing grant tax credit is on the order of
15 1.25 million dollars.

16 DELEGATE BYRON: So two or three million dollars
17 out of a total of twelve million?

18 MR. AVELLAR: That's right.

19 MR. HAMLET: Is the tax credit discounted when it's
20 turned into cash?

21 MR. AVELLAR: The ones on the new market tax
22 credit, yes, they will be discounted. The discounted amount is
23 what is reflected in the budget here. We've hired a group of
24 consultants to advise us on the new market tax credit
25 structure that we would use, and they would go to a number of
26 financing groups and a number of community development,

1 the community development bank, as well as the group that is
2 interested in buying the tax credit. They would facilitate all of
3 that for us.

4 MS. NYHOLM: Are those better than --

5 MR. AVELLAR: -- This is a company in Campbell
6 County, and they've been there for over 25 years, and they
7 process automobiles. They have a shredder that shreds, and
8 they separate the material so they can have reusable metals,
9 and they can recycle things like copper and so forth, and
10 you're left with a plastic residue. Presently it's almost 100 tons
11 a day that they're processing and they have the supply. One of
12 the benefits to making this project more green is that they're
13 able to take this product that's used in a process like this and
14 it can also be landfilled.

15 MS. THOMAS: It looks like you're coming up with
16 five and a half million. Where is that coming from?

17 MR. DAVIDSON: Private equity.

18 DELEGATE MARSHALL: Madam Chair, I have a
19 question. Before us right now, or do we have any, when you
20 talk about the Partnership these questions really need to be
21 answered for us before. If the Partnership comes back with a
22 favorable recommendation to us. Really, the question is we
23 should have this information before it goes to vetting.

24 DELEGATE BYRON: Well, when they come to us we
25 have to get clarification before it goes or before we give the
26 okay to send it to the Partnership.

1 MR. NOYES: We're not approving, we're not
2 recommending approval of the project; we're just
3 recommending the next step, which is the Partnership and the
4 vetting process.

5 Next is project 2282. The applicant is Dan River
6 Business Development Center, Tyton BioSciences Corporation.
7 The request is for \$2,289,400 to assist Tyton BioSciences with
8 late-stage development of a "super-seed" for use in the
9 production of bioethanol and biodiesel from genetically
10 modified tobacco plants. Tyton is working with two
11 commercial tobacco processors that appear interested in
12 commercialization. I refer members of the Committee to the
13 applicant's response to the Staff's questions for project details.
14 As I read the application initially I was not persuaded that this
15 is anything beyond benchwork produced seeds. The applicants
16 responded and said that the process of producing the seed has
17 demonstrated and that for that reason the project is post-
18 approval concept. There is a limited number of jobs. The
19 applicant hopes that it is a Virginia corporation, incorporated
20 in Virginia with an outgrowth of foundation work in the
21 Philadelphia region. In response to one of the questions, the
22 personnel component of the budget and the original application
23 was very, very substantial and had some in-kind expertise
24 which gave me some concern, so I asked questions whether we
25 could be involved with it with the equipment rather than other
26 things like personnel, personnel line items. And the answer to

1 that question was in the affirmative. So we would at least have
2 the equipment at least co-owned by the applicant should this
3 one be recommended. The science is beyond the competency
4 of the Staff. Commercialization comes from production once
5 it's available. The company would be a resident in southern
6 Virginia for six years. That's how long for the
7 commercialization stage. The Staff recommends referral to
8 VEDP for vetting.

9 SENATOR RUFF: What was the private investment?

10 MR. NOYES: I don't have the application in front of
11 me, at least 50/50. The equipment line item was not 50
12 percent. The total project is \$6 million, so it's right at 50
13 percent. There are budget modifications. Any questions?

14 All right. The final project is 2279, City of Danville,
15 Engineered BioPharmaceuticals, Inc., a private equity partner.
16 The City is requesting almost \$3 million to assist Engineered
17 BioPharmaceuticals, Inc. to equip a commercial scale pilot
18 program to dry solutions of protein-based vaccines and
19 therapeutic agents such that shelf life can be extended. The
20 application indicates that while the technology has been
21 proven in concept, "significant work remains to be done to
22 develop the technology to the stage that it can be
23 commercialized." Commission funds would provide a dollar-
24 for-dollar match to an already approved NIST award and would
25 be expended on a pro-rata basis. EBio anticipates establishing
26 a full production facility employing approximately 100 workers

1 within three years.

2 Beyond the national security and potential for medical
3 cost savings implications discussed in the application, the
4 opportunity to establish a bio-pharma economic cluster is
5 compelling. Staff recommends referral to VEDP for vetting.

6 MR. OWENS: What would be new that hasn't
7 already been done?

8 MR. NOYES: Looking for commercialization science
9 very much, so says the application.

10 MR. OWENS: So it has commercial use?

11 MR. NOYES: I'm sure they would look at the
12 scientific component of it. The main thing is
13 commercialization. The total is 4.5, but it will be right about
14 50 percent when all things are considered.

15 That's all the new applications.

16 DELEGATE BYRON: Any questions from the
17 Committee otherwise? We can refer these to VEDP for vetting.

18 DELEGATE MARSHALL: Then I'll make a motion
19 that we do, that we approve 2280, 2281, 2279 and 2282 in a
20 block.

21 MS. NYHOLM: Second.

22 DELEGATE BYRON: Any discussion on the motion
23 or questions? Are you ready to vote? All those in favor say
24 aye? (Ayes.) Opposed? (No response.)

25 MR. NOYES: These will be considered, plus four
26 others that we recommended at our October meeting, and

1 they'll come back for discussion and recommendation to the
2 R&D Committee at our May meeting. The date for the next
3 Committee meeting is tentatively set for May 12th rather than
4 the day before the Full Commission meeting. Having moved to
5 three Board meetings a year, we'll move this back and give you
6 a little more time so we won't be meeting at the last minute.
7 May 12th is scheduled to be the next meeting.

8 DELEGATE BYRON: Thank you, Neal.

9 Ned, do you have something?

10 MR. STEPHENSON: Yes, Madam Chairman. I have
11 some general comments about your R&D program that might
12 help you see where you are with this effort overall. I have a
13 request for the Committee to help guide Staff over particularly
14 difficult problems that we have had with this program. So if
15 you will, indulge me a little bit on two points.

16 First of all, if you look at your book on page 20 you will
17 see a complete summary of all the projects that you have
18 approved to date. You have actually seen 52 applications
19 totaling \$98 million. You made 12 awards for 34 million, and
20 you have a balance of 62 million remaining. The four
21 applications you saw today plus the four that VEDP will bring
22 us in May, and if a good number of those are approved you will
23 be well past the half way mark of your \$100 million budget
24 that you fixed for R&D. That's a quick overview, and in other
25 words, it's happening fast. I think we've been running about a
26 year, Madam Chairman, and we're half way there. I do need to

1 ask for a little help from the Committee on a particular point.
2 I'm going to take you down in the weeds a little bit, and I
3 apologize for that, but you need to know the history to
4 understand where we are.

5 When we made the first R&D grant we did not have a
6 document or an agreement. The grants were made subject to
7 documentation satisfactory to Staff and its counsel. We
8 quickly set about to prepare a grant agreement, and during the
9 middle of that time Counsel Ferguson stepped out of the
10 picture for health reasons, and he's now fine and back.
11 During that time we looked to the AG's Office for someone who
12 had intellectual property experience, and they had none. We
13 then went to Troutman Sanders and hired an intellectual
14 property attorney who helped us draft an agreement which we
15 then presented to the first five grantees who had been
16 approved but had not seen an agreement. All five of them
17 rejected the agreement, saying it would not work. We then sat
18 at the table with Delegate Marshall and Madam Chairman and
19 the five grantees in Rustburg, and over a period of several
20 hours we hammered out what we said would be an acceptable
21 agreement, which those five grantees went along with.
22 Subsequent grantees have all rejected that agreement. What
23 happens is that we send a letter, you've been approved for
24 \$5 million, here are the terms under which it's been approved.
25 I get back a sea of red ink from the grantees and their
26 attorneys, from the beneficiaries and their attorneys and

1 project managers, all of whom want to effectively dilute the
2 terms of the agreement to suit themselves. We are in a
3 quagmire of these agreements. I'll tell you that here in front of
4 the record, that I've been writing contracts for the Commission,
5 and I should not be doing that, but the volume of these is
6 staggering. Frank has helped a lot, and Neal has helped a lot.
7 We're trying to maintain the integrity of the core principles
8 and make adjustments where we could. I'm putting this before
9 the Committee to ask for your guidance and how you want
10 your Staff to manage these grant agreements that grantees
11 must sign in exchange for the money. I do have several
12 options for you to think about in this regard.

13 Option number one is for us to say to the grantees, here's
14 the agreement, sign it if you want the money.

15 DELEGATE KILGORE: That's the one I like.

16 MR. NOYES: If I may, the agreement is the one that
17 we met and looked at together as a Committee and that you
18 endorsed in Roanoke. This is not something different that Ned
19 is talking about. That's a very good option, and we can vote on
20 it right now.

21 MR. STEPHENSON: I want to run the other options,
22 and I hope the Committee will also hear from Frank, because
23 he's been wrapped up in this, too. Another option that has
24 merit is for us to refer 100 percent of these questions to
25 Counsel, and Frank may want to comment on that.

26 A third option is for us to require that any grantee that

1 wants a change must stand in this room in front of your
2 Committee and tell you why they can't sign the agreement and
3 they want the penalty waived and this and that taken out or
4 take the liability out or change in event of default. These are
5 all things that could be changed in the contract, and I want to
6 ask them to stand before you and explain it.

7 I don't have a strong preference on this, even though I
8 think they need to sign the agreement that you prescribe if
9 they want the money, with some very limited ability for Staff
10 and Counsel to change little things, as well as things
11 structurally incorrect for that particular grantee.

12 While you're thinking about all this, Frank, you've been
13 wrapped around this, do you have something you want to say?

14 MR. FERGUSON: Madam Chairman and Committee
15 members, I would say that if the referral of grant applications
16 to counsel option is chosen, it has the potential, and it could
17 be I would need a lot more money. It will require a significant
18 amount of more time. I'd have to re-negotiate my agreement
19 with you. I'm willing to do that, but I'm not sure I will end up
20 coming back asking the same questions that the grantees are
21 asking, because unless you sort of give me carte blanche to
22 make up anything that I want and you don't want and have
23 the power or authority, then, you know, it's a difficult
24 assignment for any one person, particularly a non-elected
25 person. I'm inclined, after thinking about it for a long time,
26 whatever grant profile or template you come up with, the

1 possibility for some tweaking here and there and some blanks
2 to be filled in, depending on the project that you would
3 empower Staff and myself to do, is probably the preferred of
4 the lot of popular grant options. As we recently know from the
5 beginning every one of these is unique and the reason this
6 Committee was set up, as you recall, so with that in mind my
7 recommendation is that we try to focus on what portion of the
8 template we might leave blank, if you will. It can be as few as
9 you want or as many as you want; the more you do the more
10 difficult it becomes for Staff and for me or my successor. I
11 guess that's it.

12 DELEGATE BYRON: Before I call anybody I would
13 add a comment to that, because we have had this discussion
14 with Ned and Neal both, and I appreciate all the work that you
15 all have done. There has been a tremendous amount of hours
16 and a lot of frustration and a lot of effort put in to try to get to
17 the applications. My concern was that we gave instructions at
18 the last meeting to do more or less take it or leave it, there may
19 be concerns over losing some or the message wasn't loud
20 enough and coming up with an application, and we said they
21 had to sign that they read it before they turned it in, and there
22 was a question from the Vice Chair that we make sure the
23 lawyer has to look at it before it's signed so we wouldn't have
24 to worry about it later. You put it in front of the attorney, you
25 could have 10 different opinions from 10 different attorneys,
26 and you'll always run into that problem. I asked Ned is there

1 anything in particular and then started talking about
2 tweaking, how do you sign a tweak. Everyone has their own
3 definition of what they call tweaking with the application. I
4 don't know what we're accomplishing by saying take it or leave
5 it. We also want to make sure that we have jobs in our areas,
6 and that's why we stick our neck out and try to keep on going
7 managing contracts at this level. I was looking for maybe some
8 more specifics. There are some areas that need negotiation
9 and maybe would cut down on some things that you present to
10 the Committee. Maybe there is not enough direction, we don't
11 have enough room to negotiate.

12 DELEGATE KILGORE: Kathy, I know you and
13 Danny were in the meeting in Rustburg, and at the time you
14 were participating in that meeting you all made sure the
15 Tobacco Commission was protected in these agreements. I
16 think our charge is to make sure the Tobacco Commission is
17 protected and you're also comfortable. I think maybe the
18 agreement we've got out there is what we ought to use. Didn't
19 you feel comfortable with that?

20 MR. FERGUSON: I do, and I would note that I am
21 not omniscient, therefore can't know or don't know every
22 possible permutation that the grant made can be subject to. I
23 think if we experiment with take it or leave it for a time, that's
24 certainly a viable option.

25 MR. NOYES: You'd have to be omniscient.

26 MR. FERGUSON: I'm a little hesitant to give that a

1 ringing endorsement, and as a lawyer I'm cautious. I think
2 we're about at the point where the template we have in place
3 now, I understand it took some fairly significant changes early
4 on, but I would recommend that we undertake this take it or
5 leave it theory, at least for the time being. If there is
6 something that the grantee absolutely feels he must have
7 changed, then he can come before the Committee and ask.

8 DELEGATE BYRON: And on our part if there is
9 something from a situation that happened before us, then we
10 need an opportunity to have protection in the application.
11 That's something you can present to us.

12 MR. FERGUSON: Absolutely.

13 DELEGATE BYRON: The other way around, we're
14 still protecting ourselves from a legal situation.

15 MR. OWENS: Is there a particular portion of the
16 template that causes most of the problems?

17 MR. FERGUSON: The intellectual property. One of
18 the reasons this Committee was started to begin with was to
19 cover the intellectual property issue. It's difficult for me to sit
20 here and disclaim that responsibility. If it's the will of the
21 Committee to make that in the template the place that's
22 tweakable and nowhere else, then I think that narrows the
23 field of vision that would focus on the Staff efforts to try to
24 reach.

25 MR. STEPHENSON: It's important for me to say
26 that the grantees and the beneficiaries in this process are very

1 essential ingredients in getting the work done. They're
2 important to us, because without them we would only have
3 money. We need these people, and we need to engage them at
4 a level they're willing to be a player. That's why we're trying to
5 make sure that we have an agreement that's fair.

6 DELEGATE BYRON: We all agree, I think, that we
7 need the flexibility in this. It's not as tight as it could be, but
8 we do need flexibility. Are there any other questions?

9 MR. NOYES: The instructions to the Staff.

10 DELEGATE BYRON: We've talked about the take it
11 or leave it.

12 MS. NYHOLM: Take it or leave it, with flexibility on
13 the intellectual property questions.

14 MR. NOYES: Flexibility on the part of the Staff.

15 MR. STEPHENSON: Return to the Committee if
16 they're not satisfied.

17 DELEGATE BYRON: Start getting the applications
18 when we deal with them and change it again. We could say
19 take it or leave it, and we don't do it.

20 SENATOR RUFF: We voted once on this a couple of
21 months ago. If we don't do anything, that's where we stand,
22 right?

23 MR. STEPHENSON: Understood.

24 MR. NOYES: Your vote a couple of months ago
25 empowered the Staff to have consultations with Counsel to
26 make modifications, which I can tell you it's not tweaking when

1 Ned and Frank are spending 70 or 80 hours on each individual
2 agreement that's a cottage industry for attorneys. I would ask
3 that the Committee be very clear about Staff's authority to
4 make any modifications, be very limited, that the judgment
5 that Staff and Counsel changes are major, that the applicant
6 and beneficiaries are to appear before the Committee and
7 explain why they should be treated differently or why they
8 should have an exception, or take it or leave it.

9 DELEGATE BYRON: I think as a minimum we need
10 to limit how much time we're going to spend on tweaking.
11 Going back to what we said before, that was enough. If we
12 need to give them more direction, you have limited changes or
13 anything else brought back to us.

14 SENATOR PUCKETT: I think anything involving
15 changes ought to come back to the Committee, no matter how
16 minor or major it is. We're the ones who are going to face the
17 responsibility of it, and no disrespect to Frank or Ned, because
18 they have done an outstanding job so far.

19 MR. FERGUSON: I have no problem there.

20 SENATOR PUCKETT: If we've got an applicant out
21 there who is telling us they don't want our money, that's fine
22 with me, because there will be some other people who will
23 come along and want the money. To be held hostage by
24 somebody who wants to ask us for five or six million dollars
25 and we're bowing to them and saying we'll change whatever
26 you want, I'm not for that. I think we've got a good document

1 in place, and if there is an issue that needs to be changed
2 because of the type of applicant that we have and something
3 doesn't fit, then bring that back to the Committee and let us
4 approve it or disapprove it.

5 DELEGATE BYRON: So bring it back, does
6 everybody agree with that?

7 SENATOR WAMPLER: Madam Chair, today is
8 January 10th, and the Committee reaffirms Staff's position on
9 agreements previously approved, and that any deviation from
10 the template of agreement be brought to the full Committee for
11 its review.

12 SENATOR RUFF: Second.

13 DELEGATE BYRON: Does that work, Ned? We've
14 got a motion and a second. All in favor say aye? (Ayes.)
15 Opposed? (No response.)

16 MR. STEPHENSON: That's very helpful. I have one
17 last housekeeping matter, if I may.

18 DELEGATE MARSHALL: Should we send this
19 motion to the group we're talking about?

20 DELEGATE BYRON: I'm sure they'll understand
21 that.

22 MR. NOYES: We can certainly do that.

23 MR. STEPHENSON: Just so we have a heads up
24 ahead of time of what they face. That would be the four from
25 October and the four you've talked about today.

26 DELEGATE KILGORE: Will the Full Commission

1 have to vote on this tomorrow?

2 MR. STEPHENSON: I don't think so; we're just
3 looking for guidance from the R&D Committee.

4 DELEGATE KILGORE: Do you feel like we need to
5 act on it by the Full Commission?

6 MR. STEPHENSON: Delegate Kilgore, I understand
7 instructions today from the Committee. I'll convey that to the
8 grantee, and I think they'll come here and talk to you about it,
9 so I don't know that the whole Commission needs to endorse
10 that.

11 DELEGATE BYRON: Is there something else, Ned?

12 MR. STEPHENSON: One small housekeeping
13 matter. You've seen several applications today who had a filing
14 deadline of December the 10th to be considered today. I'm
15 asking if you would consider fixing a similar deadline on April
16 the 8th for new applications that you will see for the first time
17 on May 12th. I'm suggesting the April 8th deadline for the
18 benefit of the Committee and for the benefit of the public who
19 might be interested in filing an application.

20 DELEGATE BYRON: We didn't have a deadline yet.

21 MR. NOYES: We talked about it.

22 DELEGATE BYRON: You'll post that on the web
23 site.

24 MR. STEPHENSON: If it pleases the Committee.
25 Thank you.

26 DELEGATE BYRON: Now, is there any public

1 comment about next meeting dates? Does anyone in the
2 audience want to speak to the Committee?

3 MR. NOYES: If you need a parking pass, see
4 Michelle. Travel vouchers are at your places, please fill them
5 out. The reception will be at the same place we were at last
6 year.

7 For new non-legislative members of the Commission, you
8 were sent a financial disclosure form that needs to be
9 submitted by close of business this Friday. So you need to fill
10 out your financial disclosure forms and see Stephanie Kim.
11 They're due while you're here.

12 DELEGATE BYRON: If there is nothing else before
13 the Committee, do I have a motion to adjourn?

14 DELEGATE MARSHALL: So moved.

15 DELEGATE BYRON: We're adjourned.

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17 PROCEEDINGS CONCLUDED.

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1 CERTIFICATE OF THE COURT REPORTER

2
3 I, Medford W. Howard, Registered Professional
4 Reporter and Notary Public for the State of Virginia at large, do
5 hereby certify that I was the court reporter who took down and
6 transcribed the proceedings of the **Virginia Tobacco**
7 **Indemnification and Community Revitalization**
8 **Commission Research and Development Committee**
9 **Meeting when held on Monday, January 10, 2011 at 4:00**
10 **p.m. at the Hilton Garden Inn (Downtown), 501 East Broad**
11 **Street, Richmond, Virginia.**

12 I further certify this is a true and accurate
13 transcript, to the best of my ability to hear and understand the
14 proceedings.

15 Given under my hand this day of February, 2011.
16
17
18

19 _____
20 Medford W. Howard

21 Registered Professional Reporter

22 Notary Public for the State of Virginia at Large
23

24 My Commission Expires: October 31, 2010.

25 Notary Registration Number: 224566